

PGDM (IB) 2019-21
International Trade & Investment
IB -106

Trimester – I, End-Term Examination, September 2019

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Section A

Note: Attempt either Part A or Part B in each question

1. A] "With the globalization of production as well as markets, companies need to evaluate their international strategy." In light of this statement explain with the help of suitable examples how can companies adopt 3 A (Adaptation, Aggregation, Arbitrage) strategies for their benefit? What are challenges faced by companies? (CILO 1)

10 Marks

OR

- B] i) Explain with help of suitable examples the factors that impact exchange rate. How does depreciation of home currency effect country's international trade? (CILO 1)

5 Marks

ii) New York Bank

USD/JPY 110.25/111.10

USD/AUD 1.6520/1.6530

Sydney Bank

AUD/JPY 68.30/69.00

Is there an Arbitrage opportunity? Show with help of calculation (CILO 1)

5 Marks

2. A] Explain in detail the structural changes in India's Export in last one decade. What are the current domestic and global challenges faced by Indian export sector. What suggestions would you like to give to further boost country's export (CILO 2)

10Marks

OR

- B] i) Discuss the following schemes of Foreign Trade Policy (2015-20)

a. Duty Drawback

- b. Services Exports from India Scheme (SEIS)
- c. Deemed Exports (CILO 2)

6 Marks

ii) Discuss the various components of duties levied on import under new GST regime. What is the rationale behind levying CVD and anti-dumping duty on imports? (CILO 2)

4 Marks

3. A] Discuss in detail the profile of Indian Leather Clusters, major export markets, and challenges faced by the sector. What are the government initiatives to support the sector? What suggestions would you like to give for future growth? (CILO 4)

10 Marks

OR

B] Discuss in detail with the help of concept of value chain the characteristics of Indian Gems and Jewelry Sector. What are the challenges faced and steps taken by the government for improving the export performance of the sector? What do you think should be the strategy for future growth? (CILO 4)

10 Marks

SECTION B

Note: Case study is compulsory (CILO 1 & 3)

LOGITECH

20 Marks

Best known as one of the world's largest producers of computer mice, Logitech is in many ways the epitome of the modern global corporation. Founded in 1981 in Apples, Switzerland, by two Italians and a Swiss, the company now generates annual-sales of more than \$ 1 billion, most from products such as mice, keyboards, and low-cost video cameras that cost under \$100. Logitech made its name as a technological innovator in the highly competitive business of personal computer peripherals. Among other things, it was the first company to introduce a mouse that used infrared tracking, rather than a tracking ball, and the first to introduce wireless mice and keyboards. Logitech is differentiated from 'competitors by its continuing innovation. In 2003 it introduced 91 new products-- its high brand recognition, and its strong retail presence. Less obvious to consumers, but equally important, has been the way the company has configured its global value chain to lower production costs while maintaining the value of those assets that lead to differentiation

Logitech still undertakes basic R&D work (primarily software programming) in Switzerland where it has 200 employees. The company is still legally Swiss; but the corporate headquarters are in Fremont California, close to many of America's high-technology enterprises, where it has 450 employees. Some R&D work (again, primarily software programming) is also carried out in Fremont. Most significantly, though, Fremont is the headquarters for the company's global marketing, finance, and logistics operations.

The ergonomic design of Logitech's products - their look and feel - is done in Ireland by an outside design firm. Most of Logitech's products are manufactured in Asia.

Logitech's expansion into Asian manufacturing began in the late 1980s when it opened a factory in Taiwan. At the time, most of its mice were produced in the United States. Logitech was trying to win two of the most prestigious OEM customers - Apple Computer and IBM. Both bought their mice from Alps, a large Japanese firm that supplied Microsoft. To attract discerning customers such as Apple, Logitech not only needed the capacity to produce at high volume and low cost, but it also had to offer a better designed product. The solution: manufacture in Taiwan. Cost was a factor in the decision, but it was not as significant as might be expected, since direct labor accounted for only 7 percent of the cost of Logitech's mouse. Taiwan offered a well-developed supply base for parts, qualified people, and a rapidly expanding local computer industry. As an inducement to fledgling innovators, Taiwan provided space in its science-based industrial park in Hsinchu for the modest fee of \$200,000. Sizing this up as a deal that was too good to pass up, Logitech signed the lease. Shortly afterward, Logitech won the OEM contract with Apple. The Taiwanese factory was soon out producing Logitech's U.S. facility. After the Apple contract, Logitech's other OEM business started being served from Taiwan; the plant's total capacity increased to 10 million mice per year.

By the late 1990s, Logitech needed more production capacity. This time it turned to China. A wide variety of the company's retail products are now made there. Take one of Logitech's biggest sellers, a wireless infrared mouse called Wanda. The mouse itself is assembled in Suzhou, China, in a factory that Logitech owns. The factory employs 4,000 people, mostly young women such as Wang Van, an 18-year-old employee from the impoverished rural province of Anhui. She is paid \$75 a month to sit all day at a conveyor belt plugging three tiny bits of metal into circuit boards. She does this about 2,000 times each day. The mouse Wang Van helps assemble sells to American consumers for about \$40. Of this, Logitech takes about \$8, which is used to fund R&D, marketing, and corporate overhead. What remains of the \$8 after that is the profit attributable to Logitech's shareholders. Distributors and retailers around the world take a further \$15. Another \$14 goes to the suppliers who make Wanda's parts. For example, a Motorola plant in Malaysia makes the mouse's chips and another American company, Agilent Technologies, supplies the optical sensors from a plant in the Philippines. That leaves just \$3 for the Chinese factory, which is used to cover wages, power, transport, and other overhead costs.

Logitech is not alone in exploiting China to manufacture products. According to China's Ministry of Commerce, foreign companies account for three-quarters of China's high-tech exports. China's top 10 exporters include American companies with Chinese operations, such as Motorola and Seagate Technologies, a maker of disk drives for computers. Intel now produces some 50 million chips a year in China, the majority of which end up in computers and other goods that are exported to other parts of Asia or back to the United States. Yet Intel's plant in Shanghai doesn't really make chips, it tests and assembles chips from silicon wafers made in Intel plants abroad mostly in the United States. China adds less than 5 percent of the value. The U.S. operations of Intel generate the bulk of the value and profit.

On the basis of Logitech Case Study attached answer following questions

1. Use the theory of comparative advantage to explain the way in which Logitech has configured its global operations. Why does the company manufacture in China and Taiwan, undertake basic R&D in California and Switzerland, design product in Ireland, and coordinate marketing and operations from California?
2. To what extent Porter's Diamond help explain the choice of Taiwan as a major manufacturing site for Logitech.
3. Why do you think China is now a favored location for so much high-technology manufacturing activity? How will China's increasing involvement in global trade help that country? How will it help the world's developed economies? Give reasons